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Message Text

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PAGE 01 MOSCOW 06561 131429Z

62
ACTION EUR-12

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USDOC FOR BEWT/FLANAGAN

E.O. 11652: N/A
TAGS: EIND, ETRD, EEWT, UR, US
SUBJECT: SOVIET INTEREST IN DESULPHURIZATION PLANT

1. MINISTRY OF NON-FERROUS METALLURGY HAS REQUESTED COMMERCIAL OFFICE'S ASSISTANCE IN FACILITATING PURCHASE OF COMPLETE DESULPHURIZATION UNIT AND NECESSARY TECHNOLOGY TO BE INSTALLED ON COPPER/NICKEL SMELTER LOCATED AT NORILSK.

2. AS DESCRIBED BY MINISTRY OFFICIALS DURING APRIL 25 MEETING WITH COMMATT, PROPOSED DEAL IS EXTREMELY COMPLICATED. TECHNOLOGY IN QUESTION WAS DEVELOPED BY ALLIED CHEMICAL, WHICH HAS CARRIED ON NEGOTIATIONS WITH SOVIETS. ON BASIS OF ALLIED TECHNOLOGY, BROWN AND ROOT BUILT DESUPPHURIZATION UNIT AT FALCONBRIDGE NICKEL'S SMELTER IN SUDBURY, ONTARIO. DUE TO TIGHTENED REQUIRMENTS FOR SULPHUR CONTENT OF HEAVY HEATING OIL IN BOTH U.S. AND CANADA, MARKET FOR SULPHUR WAS BROKEN BY APPEARANCE OF LARGE QUANTITY OF SULPHUR SOLD AT VERY LOW PRICES BY OIL COMPANIES, PARTICULARLY EXXON. AS CONSEQUENCE, FALCONBRIDGE'S DESULPHURIZATION UNIT WAS CLOSED DOWN. SOVIETS NOW WISH TO PURCHASE THIS UNIT, DISMANTLE IT, SHIP IT TO NORILSK, AND INSTALL IT. HOWEVER, NEGOTIATIONS HAVE BEEN COMPLICATED BY LARGE NUMBER OF PARTIES INVOLVED. PLANT BELONGS TO FALCONBRIDGE (OR ITS CORPORATE PARENT, SUPERIOR OIL), BUT TECHNOLOGY MUST BE ACQUIRED FROM
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PAGE 02 MOSCOW 06561 131429Z

ALLIED CHEMICAL WHILE BROWN AND ROOT WOULD BE NEEDED TO PROVIDE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

ENGINEERING AND START-UP SERVICES.

3. ACTION REQUESTED. AS FREQUENTLY HAPPENS, SOVIETS IN THIS CASE ARE PERPLEXED BY NECESSITY OF DEALING WITH MORE THAN ONE CONTRACTOR OR VENDOR. COULD USDOC/BEWT/TDAD CONTACT VARIOUS COMPANIES INVOLVED AND DETERMINE WHETHER ONE OF THEM, PRESUMABLY BROWN AND ROOT, COULD ACT AS PRIME CONTRACTOR AND DEAL DIRECTLY WITH SOVIETS? PLEASE ADVISE WHAT INFORMATION CAN BE DEVELOPED ON BASIS DISCUSSIONS WITH COMPANIES.

4. MINISTRY OFFICIALS ALSO ADVISED THAT THEY WERE CONSIDERING POSSIBILITY OF CONSTRUCTING AT NORILSK SO-CALLED "SUPER STACK" OF SORT WHICH M.W. KELLOGG BUILT FOR INCO AT LATTER'S SUDBURY SMELTER. HOWEVER, IN THIS CASE NEGOTIATIONS HAVE BEEN COMPLICATED BY FACT THAT WHILE M.W. KELLOGG HAS CONSTRUCTION EXPERTISE, ACTUAL TECHNOLOGY FOR CONSTRUCTION OF "SUPER STACK" BELONGS TO SWEDISH COMPANY.
STOESSEL

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EO Systematic Review
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